

Market Watch

A Sampling of Advisory Opinion

Edited by Anita Peltonen

"The cycle of strong rallies followed by sharp reversals has shortened from days to mere hours." —BERNARD MCSHERRY, Cuttone & Co.

Jarring Jobs Report

Dismal U.S. Jobs by CMC Markets
140 Broadway, New York, N.Y. 10005

Sept. 5: The jump in the August unemployment rate to a new five-year high of 6.1% from 5.7% leaves little doubt to currency traders that the [dollar] rally remains largely a manifestation of broadening economic weakness outside of the U.S., rather than...strength at home.

—ASHRAF LAIDI

How to Bottom-Fish

Appel's Systems and Forecasts Update
by Signalert Corporation
150 Great Neck Rd., Great Neck, N.Y. 11021

Sept. 3: I expect the market to remain soft, but not to begin a new intermediate-term decline. As a result, the recommended strategy remains [to buy] broad-based U.S.-equity exchange-traded funds on dips to support areas. S&P 500 Index Option implied volatility (VIX) reached [a] four-week [high], so writing covered calls on ETFs you might buy when bottom-fishing is also recommended, if your trading commissions are low enough to make that economical.

If stocks remain weak [through] the Republican Party convention...I would view that as an indication that Sen. Barack Obama (D, Ill.) will be elected in November.

The NYSE [new high/new low] indicator is at 25% and rising. It is still rated negative. Nasdaq Composite remains ahead of the NYSE Composite in intermediate-term relative strength. Historically, the market has generally done better when Nasdaq was stronger. Small-caps are ahead of large-caps. Value is ahead of growth among small- and large-cap [exchange-traded funds].

—MARVIN APPEL

Like a Bad Soufflé

Morning Commentary by Cuttone & Co.
111 Broadway, New York, N.Y. 10006

but the rally collapsed like a bad soufflé when market participants gave in to fears of the effects of a global slowdown...the sense of disappointment was palpable, and bulls could be forgiven for feeling that they had been flambéed by day's end....

The cycle of strong rallies followed by sharp reversals has shortened from what had been days to what is now mere hours, and traders will have to be on top of their game if they hope to avoid being burned. Investors who can't stand the heat would best stay out of the proverbial kitchen.

—BERNARD MCSHERRY

Commodities, Credit, Labor

Economics and Strategy
by MKM Partners
1 Sound Shore Dr., Greenwich, Conn. 06830

Sept. 3: Weakening global demand appears to be the key factor pulling down crude-oil prices, although the surge in the dollar [helped] as well. The Baltic Dry Shipping Index, a proxy for global growth, has fallen more than 45% since May. The dollar surge is also helping to take commodity prices off the boil...reducing inflationary expectations.

Yet it would probably be an error to assume falling crude oil will rescue the U.S. consumer:

Energy expenditures account for just over 4% of total U.S. consumer expenditures, whereas labor compensation accounts for 80%—meaning the labor market is 20 times as important to the outlook for spending. With leading indicators of the labor market still pointing down, credit tight, and household-debt loads high, household spending is likely to be flat-to-down in the second half of 2008....

The recovery process could take considerably longer than after the 1990-'91 downturn (a similar cycle). So investors may want to wait until late '08 or early '09 before stepping up exposure to risk.

—MICHAEL DARDA